

FINANCIAL LITERACY PROGRAM



LESSON FIVE: BUYING A HOME



First Bank
make life better

PHASE 1: DETERMINE HOME- OWNERSHIP NEEDS

- What type of housing should I buy?
- How much can I afford to spend?

PHASE 4: OBTAIN FINANCING

- How much down payment is available?
- What are current mortgage rates?
- Can I qualify for a mortgage?
- What type of mortgage should I get?

PHASE 2: LOCATE AND EVALUATE A HOME

- Where do I want to live?
- What aspects of the home need improvement?

PHASE 3: PRICE THE PROPERTY

- What is an appropriate market price?
- How much negotiation movement exists?

PHASE 5: CLOSE THE PURCHASE TRANSACTION

- What is the closing date?
- What funds and documents will be needed for the closing?
- Is everything understood before the final signing?

QUALIFYING FOR A MORTGAGE

- DETERMINE THE ESTIMATED VALUE OF THE HOME YOU WOULD LIKE TO PURCHASE.
- OBTAIN FUNDS FOR A DOWN PAYMENT FROM SAVINGS OR THROUGH GIFTS OR LOANS FROM FAMILY MEMBERS.
- REDUCE OTHER DEBTS OR IMPROVE YOUR CREDIT RECORD, IF NECESSARY.
- COMPARE FEES, SERVICES, AND MORTGAGE RATES FOR DIFFERENT LENDERS.
- PREPARE THE MORTGAGE APPLICATION.

**YOUR MORTGAGE ACCEPTANCE WILL BE BASED
ON YOUR CREDIT RECORD**

THE AMOUNT OF THE MORTGAGE FOR WHICH YOU QUALIFY WILL BE INFLUENCED BY:

- °YOUR INCOME
- °THE AMOUNT AVAILABLE FOR A DOWN PAYMENT
- °CURRENT MORTGAGE RATES

Types of mortgages



FIXED-RATE, FIXED-PAYMENT MORTGAGES:

- Conventional 30-year mortgage
- Conventional 15- or 20-year mortgage
- FHA/VA fixed-rate mortgage
- “Balloon” loan (3-10 year terms)

ADJUSTABLE-RATE, VARIABLE PAYMENTS:

- Adjustable-rate mortgage (ARM)
- Graduated-payment mortgage
- Growing-equity mortgage

OTHER FINANCING METHODS:

- Buydowns
- Shared-appreciation mortgage (SAM)
- Second-mortgage (home equity loan)
- Reverse mortgage
- Refinancing

AT THE REAL ESTATE TRANSACTION SETTLEMENT, COMMONLY REFERRED TO AS THE “CLOSING” THE FOLLOWING ARE SOME COSTS THAT ARE TYPICALLY INCURRED BY A PERSON BUYING A HOME:

- Title search fee (\$100-\$200)
- Title insurance (\$300-\$2,000)
- Attorney fees (\$200-\$750)
- Appraisal fee (\$300-\$500)
- Recording fees and transfer taxes (\$50-\$200)
- Credit report (\$25-\$50)
- Termite inspection (\$50-\$150)
- Lender’s origination fee (1-3% of loan amount)
- Reserves for home insurance and property taxes (amount varies)
- Interest paid in advance (if applicable)

CLOSING COSTS

SELLING YOUR HOME

Before putting your home on the market, make any preparations that could increase appeal and market value

- Make necessary repairs
- Paint exterior and interior areas
- Update various features (such as new carpeting or plumbing fixtures)

Determine the selling price, based on:

- An appraisal to estimate current market value
- The location, features, and age of the home
- Current mortgage rates and market demand in your area



SELLING YOUR HOME

Decide if you will do a "sale by owner"

- Advertise your home in various media (e.g., newspapers, Internet, flyers).
- Be ready to meet and show your home to prospective buyers.
- Make use of the services of a lawyer and/or title company for the legal aspects.

Consider using the services of a real estate agent

- Interview two or more agents to compare their services and experience.
 - Expect the agent to provide a marketing plan and to handle the financial and legal aspects of the sale.
 - Communicate with the agent on a regular basis regarding the selling price and prospective buyers.
-

